procedures and rules and they are quasi-judicial in nature. The disciplinary rules under which such action is taken by the managements of banks do not envisage any role or action by the Central Government.

Selling spree by FIIs

3775. SHRI KRISHNA KUMAR BIRLA: Will the Minister of FINANCE be pleased to State:

(a) whether it is a fact that FIIs in the country are on the selling spree and that these institutional investors are likely to leave the country in the near future;

(b) if so, the reasons therefor stating the estimated annual FIIs outflow as against the investments;

(c) what are the implications in relation to the Indian economy involved and overall impact on the clients investment with the FIIs; and

(d) the reaction of Government with regard thereto?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) The Gross Purchases, sales and net investments by Foreign Institutional Investors (FIIs) (including FII 100% Debt Funds) during the last three years as under:

Rs. crores

	Gross Purchases	Gross Sales	Net Investments
1996	15,739.2	4,935.6	10,803.6
1997	18,926.5	12,719.2	6,207.3
1998 (upto 14.7.98)	7,475.4	8,163.1	(−)687.7

The cumulative net investments by FIIs as on 14.7.98 stood at Rs. 29563.2 crores. The outflow of FII investments in some of the recent months are attributable to multifarious reasons like South East Asian Currency crisis, investors perception of performance of the domestic Capital market, rupee depreciation, impact of sanctions particulary in Debt funds investments which includes possible investments in dated Government securities. Considering the extent of investment of FII in the Indian Capital markets with reference to their cumulative net investments, the current trend of investments could be perceived as normal adjustments. The Indian Capital market is resilient and deep enough to withstand the impact of these corrections.

(d) Recent measures taken to facilitate more inflow of FII investments include, interalia, permission to invest in unlisted debt securities by 100% debt funds FIIs, to tender securities directly instead of through stock brokers in response to open offers for takeovers, permission to trade in derivative contracts traded in stock exchanges, permission to hedge foreign exchange risk through forward cover on incremental equity investments.

Decline in interest of foreign investors

3776. SHRI KRISHNA KUMAR BIRLA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that foreign investors interest in the country has shown a decline following the imposition of economic sanctions by USA, sliding value of rupee and India's lowered credit rating by Moody;

(b) if so, the details thereof stating its likely impact on the Indian economy already under presure; and

(c) the manner in which Government proposes to meet the situation?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) Foreign investment flows depend on a number of factors including investment opportunities, favourable investment climate and policy environment, size & potential growth of the domestic market etc. and no single factor can be identified for influencing foreign investor's interest. The overall impact of the recent developments on the foreign investment

flows to India would be felt over a period of time.

(c) The general approach of the Government in countering the effect of the sanctions is to try to get a better understanding of our position on the part of other countries and also to encourage private capital flows. To this end, the government is pursuing its stated policies of encouraging inflows of foreign direct investment, investment from NRIs and from FIIs while ensuring that our domestic economic situation is strong.

Letter by Tamil Nadu Government to ADB objecting loan to Karnataka

3777. SHRI VAYALAR RAVI: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the State Government of Tamil Nadu has written a letter to Asian Development Bank, objecting to sanction loan to Karnataka;

(b) if so, the details thereof; and

(c) the reaction of Government regarding any State Government directly writing and raising objections of awarding loans to another State?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) No, Sir.

(b) and (c) Do not arise.

Impact of sanctions imposed by G-8 countries on aid from world bank

3778. SHRI RAJUBHAI A. PARMAR:
SHRIMATI VEENA VERMA:

Will the Minister of FINANCE be pleased to state:

(a) whether the overall impact of sanctions imposed by G-8 countries on aid from World Bank during the current year has been assessed;

(b) if so, the details thereof; and

(c) the steps taken and being taken to meet the situation?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) Yes. The G-8 countries in their communique on Nuclear Tests have stated that "we will therefore not oppose loans by international financial institutions to the two countries to meet basic human needs. We agree, however, to work for a postponement to consideration of other loans in the World Bank and other international financial institutions to India and Pakistan and to any other country that will conduct nuclear tests". Subsequently, by follow up of Government of India, the following loans/credits have been approved by the World Bank.

(i) Andhra Pradesh Economic Restructuring Project (US $ 543.2 million) on June 25,1998.

(ii) Women and Child Development Project (US $ 300 million, on July 1, 1998.

(iii) U.P. Diversified Agriculture Support Project (US $ 130 million).

(iv) Orissa Health Systems Development Project (US $ 76.4 million).

However, the following three loans have been postponed to a date to be determined:

(i) The Power Grid II Project (US $ 450 million).

(ii) Renewable Energy II Project (US $ 130 million).

(iii) Haryana State Highway Project (US $ 275 million).

The matter is being pursued by Government of India. The impact would depend on how long these loans remain postponed.